(d) if not, the reasons therefor?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM) : (a) and (b) The customs and excise duty structure for fixed phone instruments and mobile phones is as follows:—

(i) Both fixed line telephones and mobile phones attract nil basic costoms duty and 4% additional duty of customs, w.e.f. 1.3.2005.

(ii) Cellular phones and radio trunking terminals are fully exempt from excise duty. Other telephone sets including fixed line telephones attract excise duty at the Cenvat rate of 16%.

Exemption from excise duty was given to cellular phones mainly to reduce the cost so as to reduce the incentive for smuggling.

(c) No, Sir.

(d) Customs duty is already exempt in respect of both fixed line telephones and mobile phones.Only 4% additional duty of customs under section 3 (5) of the Customs Tariff Act is levied on both fixed line telephones and mobile phones. Fixed phones attract excise duty at 16%.Telephone manufacturers can take credit of excise duty/additional duty of customs (CVD) paid on parts/components for manufacture of telephone sets. The excise duty paid on telephone sets is also eligible to be taken as credit under the Cenvat Credit Rules, 2004, by service providers, for payment of service tax on output services.

Service tax on insurance policy

4217. SHRi NANA DESHMUKH: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that the service tax is chargeable even on various insurance policies including Life Insurance;

(b) if so, since when and the manner of its computation;

(c) whether it is also a fact that Government are going too far and fast on bringing various items under the net of Service Tax Act and also its rate; and

(d) how Government propose to mitigate the hardship of middle class due to high incidence of personal taxes?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) Service tax at the rate of 10% has been levied on that portion of the premium of life insurance polices which pertains to risk element, by the Finance Act, 2004 with effect from 10th September, 2004.

(b) In the case of composite policies (risk plus saving) life insurer can at his option pay 1% of the total premium towards discharge of service tax liability. This shall not be applicable in case an insurance policy is towards risk only or where the premium gives details of risk premium and other premium separately.

(c) No Sir. The Services Sector, which contributes to more than 50% of GDP, has not been contributing much towards the Government exchequer, thereby creating pressure on the manufacturing sector. Hence in terms of international practices and reports made by various expert committees, the service tax has to be levied in most comprehensive manner on the service sector also.

(d) Service Tax is levied at the rate of 10% and would not cause much hardship on anyone, moreover Service Tax is an indirect tax, and not a personal tax.

Gupta Committee Report on Capital Restructuring of SFCs

4218. SHRI R.S. GAVAI: Will the Minister of FINANCE be pleased to state:

(a) whether Government have any proposal to implement, recommendations of Gupta Committee regarding capital restructuring of State Financial Corporations;

(b) if so, the details thereof; and

(c) if not, the reasons therefor?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) to (c) The Government of India does not have a direct stake holding in the State Financial Corporation (SFCs). The Central Government, therefore, would not be in a position to take up capital restructuring of SFCs.